REMARKS

The Official Draftsmans objection to the margins in Fig. 1 have been noted and corrected. Specifically, original Fig. 1 has been replaced by new Fig. 1a, which is identical to Fig. 1, but slightly reduced in size.

The suggestions by the Examiner for overcoming the 35 USC 101 rejection are appreciatively acknowledged and have been carefully followed. Specifically, new Fig. 1b, which is submitted herewith, characterizes the flow chart in unequivocal process steps having unequivocal computer support. Both the fully disclosed process steps and the fully disclosed computer support are clearly described in detail in the original specification, drawings and claims. Accordingly, this essentially formal rejection is believed to be no longer applicable.

Respectfully, the Examiner has taken an extraordinarily broad view of the scope and relevance of the Salomon reference. In order to avoid any question of the breadth and applicability of the Salomon reference, claims 8, 9, 10 and 11 have been cancelled. It is urged that the limited scope and specific content of the claims, as now presented, are not met by any realistic interpretation of the Salomon reference.

In essence, the Salomon Brothers (SB) set of indices is essentially the type of indices the Universal Asset Class Benchmarking System and Process (UACB) of the present invention was designed to avoid. The following analysis is intended to demonstrate in detail the technical differences between the UACB and the SB concepts and disclosures.

The basic premise of the UACB of the present invention is to create benchmarks from actual publicized holdings, that is, actual securities held by actual investors. In sharp contrast, the SB World Equity Index (SBWEI) and all its sub-indices are merely an attempt to replicate a universe of securities that investors might draw from. The same distinction exists between the currently claimed UACB system and process and all other indices that now are commercially available and characterized in the SB manner.

The SB reference goes to great lengths to talk about first-generation, second-generation, etc. indices. Such indices are all the same in that they attempt to create a set of securities that might be representative of some set of securities investors might draw from. More specifically, page 5 and part of page 6 of the SB reference deal with the Characteristics of a Good Benchmark . Here, the SB

reference uses the word should about 15 times. Nowhere does it suggest actual steps for achieving what it should do to be a good benchmark , certainly not the actual components and steps inherent in the UACB system. There is little or nothing that distinguishes what the SB reference calls a fourth-generation index from the Dow, which the SB references calls a first-generation index.

In contrast, the UACB system and process doesnt go to great lengths saying should . It basically tells how. The UACB actually does what it states it does, i.e. represent the actual holdings of one or more investors. The UACB system and process actually have been implemented and tested. Testing of UACB type benchmarks against SB type benchmarks showed a reduction of tracking errors by a factor of 2 to about 10 times. In fact, SB so called fourth-generation equity indices are generally no better than their so called first- , second- , or third- generation indices. In essence, there is no teaching in the SB reference of the procedures implemented by the UACB of the present invention.

The foregoing analysis discussed basic premises. The following is a listing of specific issues.

(1) SB states on page 1, The Index aims to completely cover the global institutional share universe without the

bias of stock selection Note the words completely cover , and contrast that to what the UACB does (i.e., actually track that which institutions are buying, selling, and holding).

(2) SB states on page 1 that the SBWEI includes all companies with total available market capitalization greater than USD$100 million . This is merely a description of what all other indices do (except for the UACB of the present invention). They simply take a universe of securities and presuppose that this represents the market , without step-by-step analysis of the actual data. UACB is not interested in the market portfolio in the SB sense. UACB is interested in what is being held by some group of investors. In addition, the above statement by SB contradicts its first premise, i.e. that this somehow represents institutional ownership. The problem here is - How can virtually the whole universe, by definition, represent the subset of institution owned securities? SB takes virtually all securities (i.e., except those below $100 million capitalization) and assumes this to be representative of what institutions can and will hold. This is wrong both logically and in practice. In contrast, UACB actually is based, by definition, on what is being held.

(3) SB states on page 1 that each issue is weighted by the proportion of its available equity capital (what it calls its float). This is a valid adjustment. However, the UACB system and process of the present invention doesnt require this adjustment, because it reflects that which is held. SB appears to be trying to derive what might be held by making this adjustment, but does not show this to be the case in theory or practice. In contrast, the UACB weights each portfolio equally.

(4) SB does not address the issues of weighting portfolios. It does what all prior art indices do (i.e., address the issue of weighting securities in a universe selected from a universe of securities selected by selection rules that have nothing to do with actual holdings. The SB adjustment is unrelated to UACB weighting.

(5) The SB sub-indices have all the same biases the SBWEI has, by definition.

(6) SB talks about avoiding bias , but fails to implement theory and practice that makes it possible.

(7) On pages 2, 3, SB discusses tracking error (the difference between the benchmark/index and what is being tracked). Yet it does not give any example of effective implementation.

(8) Many of SBs characteristics of a good benchmark (pages 5-6) actually contradict each other and what it claims as a primary goal, e.g., relevance vs. stability vs. objective selection criteria, etc.

(9) The first-generation through fourth-generation discussions are essentially marketing directives. In actuality, there is little practical or theoretical difference between any of them. There are no hard distinctions between or among them.

(10) The remainder of the SB paper is devoted to determining weights of the shares. Other than the basic notion of weighting securities, which has been a part of the prior art for many years, the SB concept is not comparable to the relationships and steps of the UACB system and process. Much of the SB discussion revolves around an adjustment for float , which is not done in the UACB system and process because such an adjustment is not necessary or advisable. In contrast, the UACB system and process weight each portfolio equally in a manner that is specified in the mathematically specified in the present specification and claims, and then uses these weights to determine the benchmark.

CONCLUSION

The conventional index/indices of the SB reference are unlike the benchmarks of the present invention, or the

components and steps by which the b nchmarks of the present invention are derived. In order to avoid any possibility of confusing the SB and UACB procedures with each other, the broadest UACB claims have been cancelled. Only claims 12, 13, 14 and 18, which specify UACB steps in great detail, have been retained.

A favorable action is respectfully solicited.

Respectfully submitted,

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